

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

COMPONENT UNIT FINANCIAL REPORT

Year Ended September 30, 2008

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Schoolcraft County Public Transit System

We have audited the accompanying financial statements of the Schoolcraft County Public Transit System (a component unit of Schoolcraft County), as of and for the year ended September 30, 2008, which collectively comprise the Transit's basic financial statements as described in the table of contents. These financial statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Schoolcraft County Public Transit System and do not purport to, and do not, present fairly the financial position of the County of Schoolcraft, Michigan, as of September 30, 2008, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schoolcraft County Public Transit System, as of September 30, 2008, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008, on our consideration of the Schoolcraft County Public Transit System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, con-

Board of Directors
Schoolcraft County Public Transit System

tracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

The management's discussion and analysis on pages three through five are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information and the Financial Assistance - Federal and State, as listed on the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Certified Public Accountants

December 4, 2008

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

Management's Discussion and Analysis

This section of the Schoolcraft County Public Transit System's annual financial report presents our discussion and analysis of the Transit's financial performance during the year ended September 30, 2008. Please read it in conjunction with the Transit's financial statements.

The following table summarizes the net assets as of September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets:		
Current Assets:		
Cash and equivalents	\$ 86,301	\$ 142,313
Federal operating assistance receivable	18,400	6,467
State grants receivable	67,941	68,471
Capital grants receivable	9,060	-
Accounts & taxes receivable	35,580	15,465
Interest receivable	247	463
Prepaid expenses	<u>5,262</u>	<u>5,112</u>
Total Current Assets	222,791	238,291
Property and equipment, net of accumulated depreciation	<u>625,975</u>	<u>485,087</u>
Total Assets	<u><u>\$ 848,766</u></u>	<u><u>\$ 723,378</u></u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 12,274	\$ 6,523
Accrued payroll and fringes	<u>18,048</u>	<u>13,603</u>
Total Current Liabilities	30,322	20,126
Noncurrent Liabilities:		
Accrued fringe benefits	<u>28,911</u>	<u>30,788</u>
Total Liabilities	<u><u>\$ 59,233</u></u>	<u><u>\$ 50,914</u></u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 625,975	\$ 485,087
Unrestricted	<u>163,558</u>	<u>187,377</u>
Total Net Assets	<u><u>\$ 789,533</u></u>	<u><u>\$ 672,464</u></u>

The Transit provides transportation services to Schoolcraft County. During the year we provided service to 31,458 passengers. This reflected a 2.2% increase over fiscal year 2007's ridership totals.

The following table provides comparative revenue and expense information for the fiscal years ended September 30, 2008 and 2007:

	2008	2007
Operating revenues	\$ 126,385	\$ 110,628
Operating expenses	<u>(648,181)</u>	<u>(612,479)</u>
Operating Loss	(521,796)	(501,851)
Nonoperating revenues	<u>638,865</u>	<u>449,882</u>
Increase (Decrease) in Net Assets	117,069	(51,969)
Net Assets, beginning of year	<u>672,464</u>	<u>724,433</u>
Net Assets, end of year	<u><u>\$ 789,533</u></u>	<u><u>\$ 672,464</u></u>

The Transit had a \$140,888 increase in net property and equipment during the 2008 fiscal year. This was due to the addition of three buses, a new telephone system and the parking lot was paved. All of these purchases were financed with state and federal capital grant revenue. There were two old buses sold during the fiscal year.

The operating expenses increased during fiscal year 2008 by \$35,702. This was due primarily to an increase in fuel costs due to the sharp rise in fuel prices and an increase in depreciation expense due to the new asset additions. The depreciation expense increase is of no real effect to the Transit operations, as most of the depreciation expense is related to state and federal contributed capital.

The operating revenues increased \$15,757 when compared to 2007's operating revenues. This was due primarily to increased rates with respect to the contract with Hiawatha Behavioral Health Services. Nonoperating revenues increased \$179,923 when compared to 2007's nonoperating revenues, due primarily to receiving state and federal funding for the purchase of the fixed asset additions.

When taken all together there was an increase in net assets of \$108,009 for the fiscal year 2008. Again, this is due primarily to receiving state and federal capital grants for fixed asset purchases during the year. We will continue to monitor state and federal operating assistance and capital grants to determine appropriate expense levels. We are insulated from cuts to a certain degree due to the operating tax millage that helps support the Transit operations. For the 2008 fiscal year the property tax collected for Transit use was \$147,493.

This financial report is designed to provide our taxpayers and citizens with a general overview of the Transit's finances and to demonstrate the Transit's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Transit office directly at P.O. Box 182, Manistique, Michigan, 49854.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

STATEMENT OF NET ASSETS

September 30, 2008

ASSETS

CURRENT ASSETS:

Cash and equivalents	\$ 86,301
State and Federal grants receivable	95,401
Accounts receivable	35,580
Interest receivable	247
Prepaid expenses	<u>5,262</u>

TOTAL CURRENT ASSETS	222,791
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PROPERTY AND EQUIPMENT, less accumulated
depreciation of \$340,857

625,975

\$848,766

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 12,274
Accrued payroll and fringes	<u>18,048</u>

TOTAL CURRENT LIABILITIES	<u>30,322</u>
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NONCURRENT LIABILITIES:

Accrued fringe benefits:	
Vacation leave	8,323
Sick leave	19,611
Personal leave	<u>977</u>

TOTAL NONCURRENT LIABILITIES	<u>28,911</u>
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NET ASSETS:

Invested in capital assets, net of related debt:	
State and federal	578,022
Local	47,953
Net assets, unrestricted	<u>163,558</u>

TOTAL NET ASSETS	<u>789,533</u>
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\$848,766

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS

For the year ended September 30, 2008

Operating revenues		\$126,385
Operating expenses		<u>(648,181)</u>
	OPERATING LOSS	(521,796)
Nonoperating revenues		<u>638,865</u>
	INCREASE IN NET ASSETS	117,069
Net assets, beginning of year		<u>672,464</u>
	NET ASSETS, END OF YEAR	<u>\$789,533</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$106,270
Cash payments to employees for services	(447,645)
Cash payments to suppliers for goods and services	<u>(132,023)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(473,398)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Fixed asset additions	(201,232)
Capital grants received	192,172
Gain on sale of fixed assets	<u>900</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(8,160)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	275,256
Tax levy received	<u>147,493</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>422,749</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	<u>2,797</u>
NET DECREASE IN CASH AND EQUIVALENTS	(56,012)
CASH AND EQUIVALENTS, beginning of year	<u>142,313</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 86,301</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(\$521,796)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	60,344
Changes in assets and liabilities:	
(Increase) decrease in receivables	(20,115)
(Increase) decrease in prepaid expenses	(150)
Increase (decrease) in payables	5,751
Increase (decrease) in accruals	<u>2,568</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(\$473,398)</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Schoolcraft County Public Transit System conform to generally accepted accounting principles as applicable to governmental units. Significant policies are as follows:

(1) Enterprise Fund - The Schoolcraft County Public Transit System, a component unit enterprise fund of the County of Schoolcraft, accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Transit applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

(2) Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Transit maintains its accounting records on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred.

(3) Accounts Receivable - The Transit follows the direct write-off method in recognizing uncollectible accounts. An allowance for bad debts has not been established because the amount is considered to be immaterial. Receivables are written off on a policy based on how recently payments have been received.

(4) Inventories - Office and garage supplies are expensed when purchased. Items on hand at year-end were considered to have a dollar value not significant enough in amount to materially affect the financial statements, therefore, inventory was not recorded.

(5) Fixed Assets and Depreciation - Fixed assets are stated at cost when purchased or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expenses, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

(6) Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

prior to December 31, are normally held in the Schoolcraft County's Trust and Agency Fund. The Transit subsequently receives its portion of the levy from this fund. For the 2007 calendar year the Transit levied .4697 mills.

(7) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(8) Advertising - Advertising costs are expensed as incurred. Total advertising expense for the fiscal year was \$3,102. \$197 of these advertising expenses have been subtracted out as ineligible as they were incurred for non-transportation related purposes.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Statement of Net Assets are presented below:

Demand deposits	\$ 10,348
Certificate of deposits	<u>75,953</u>
	<u>\$ 86,301</u>

All cash and equivalents are on deposit with the Schoolcraft County Treasurer with the Treasurer listed as the signatory. The insurability of this money is therefore not determinable. Cash and cash equivalents as reported in the Statement of Net Assets and the Statement of Cash Flows are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

NOTE C - STATE AND FEDERAL GRANTS RECEIVABLE

The following is a summary of the state and federal grants receivable as of September 30, 2008:

Federal Section 5311 Operating Assistance - FY08	\$ 18,400
State Act 51 Operating Assistance - FY06	7,769
- FY07	14,172
- FY08	46,000
Capital contracts receivable	<u>9,060</u>
TOTAL	<u>\$ 95,401</u>

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE D - PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of the following:

	<u>9/30/07</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/08</u> <u>Balance</u>
Purchased with Capital Grants:				
Land, not being depreciated	\$ 10,000	\$ -	\$ -	\$ 10,000
Land improvements	-	23,813	-	23,813
Buildings and improvements	359,525	8,160	-	367,685
Vehicles	348,076	145,574	96,886	396,764
Equipment	56,494	23,417	12,622	67,289
Accumulated depreciation	<u>(338,379)</u>	<u>(58,926)</u>	<u>(109,776)</u>	<u>(287,529)</u>
Subtotal	<u>435,716</u>	<u>142,038</u>	<u>(268)</u>	<u>578,022</u>
Purchased with Transit Funds:				
Building and improvements	51,928	-	-	51,928
Equipment	922	-	-	922
Accumulated depreciation	<u>(3,479)</u>	<u>(1,418)</u>	<u>-</u>	<u>(4,897)</u>
Subtotal	<u>49,371</u>	<u>(1,418)</u>	<u>-</u>	<u>47,953</u>
TOTAL	<u>\$ 485,087</u>	<u>\$ 140,620</u>	<u>\$ (268)</u>	<u>\$ 625,975</u>

Useful lives of fixed assets are as follows:

Building and improvements	20 years
Vehicles	5-7 years
Equipment	5-10 years

Depreciation expense was \$60,344 for the fiscal year.

NOTE E - RETIREMENT PLAN

Employees are covered by the Michigan Municipal Employees Retirement System. Retirement funding is based on a percentage of payroll and covers all eligible employees. Since the Schoolcraft County Public Transit System utilizes the Schoolcraft County payroll system and Transit employees are considered to be County employees, all retirement funding and reporting is done by County personnel with the applicable disclosures reported within the County financial statements. The Public Transit System reimburses the County for actual costs and classifies those as fringe benefits.

NOTE F - ACCUMULATED UNPAID VACATION AND SICK LEAVE

Vacation is earned on a variable basis, depending upon length of employment. Upon retirement or termination, employees are paid for all outstanding days accumulated at their current rate of pay. The amount of accrued vacation time at September 30, 2008 is \$8,323.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F - ACCUMULATED UNPAID VACATION AND SICK LEAVE (continued)

Sick leave is earned at the rate of one day per month, not exceeding twelve days per year. Upon retirement or disability, employees are eligible to receive one-half of such sick leave accumulated, up to a maximum of one hundred days, at their current rate of pay. The amount of accumulated sick leave recorded in this financial statement at one-half of the total accumulated sick leave is \$19,611. Actual sick leave available to be used upon illness is \$39,222.

Changes in accumulated compensated absences is as follows:

	<u>9/30/07</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/08</u> <u>Balance</u>
Vacation	\$ 11,406	\$ -	\$ 3,083	\$ 8,323
Sick	18,217	1,394	-	19,611
Personal	1,165	-	188	977
TOTAL	<u>\$ 30,788</u>	<u>\$ 1,394</u>	<u>\$ 3,271</u>	<u>\$ 28,911</u>

NOTE G - CONTRACT FOR SERVICES

A contract for transportation services is in effect with Hiawatha Behavioral Health for transporting clients. The total amount received under this contract for the year ended September 30, 2008 was \$91,662.

The Public Transit System also has other minor contracts with various local establishments.

NOTE H - GRANT CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. As of September 30, 2008, no such contingencies for questioned costs were known to exist.

NOTE I - RISK MANAGEMENT

The Transit is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Transit is covered with purchased commercial insurance for these risks through the County of Schoolcraft. Settled claims relating to commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE J - NON-FINANCIAL DATA

- 1) The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.
- 2) During the fiscal year an approved cost allocation plan was used. This plan charges indirect costs from the County Courthouse for services that benefit the Transit. The total charge for this fiscal year was \$11,730.
- 3) No operating expenses were paid using capital contract revenue.

SUPPLEMENTARY INFORMATION

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

OAR SCHEDULE 4R

For the year ended September 30, 2008

OPERATING REVENUES:

40100	Demand response (farebox)	\$ 17,590
40200	Special contract fares	<u>108,795</u>
TOTAL OPERATING REVENUES		<u>126,385</u>

NONOPERATING REVENUES:

41101	State formula operating assistance (Act 51)	212,294
41101	State FY05, adjustment	25
41301	U.S. Department of Transportation Grant Section 5311	73,600
41112	State capital grants	35,563
41312	Federal capital grants	165,669
40800	Property tax millage	147,493
41400	Interest income	2,581
40760	Gain on sale of assets	900
41398	RTAP revenue	346
40910	Miscellaneous revenue	<u>394</u>
TOTAL NONOPERATING REVENUES		<u>638,865</u>

TOTAL REVENUES	<u>\$765,250</u>
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See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

OAR SCHEDULE 4E

For the year ended September 30, 2008

	<u>Opera-</u> <u>tions</u>	<u>Mainten-</u> <u>ance</u>	<u>General</u> <u>Adminis-</u> <u>tration</u>	<u>Total</u> <u>System</u>
Labor:				
50101 Operators' wages	\$255,463	\$ -	\$ -	\$ 255,463
50102 Other salaries and wages	-	-	38,161	38,161
50200 Fringe benefits	91,033	-	13,612	104,645
50200 Retirement	45,185	-	6,758	51,943
Services:				
50302 Advertising fees	-	-	3,102	3,102
50305 Audit cost	-	-	2,200	2,200
50399 Other services	18,449	-	-	18,449
Materials and supplies:				
50401 Fuel and lubricants	72,139	-	-	72,139
50499 Other materials & supplies	634	23,538	42	24,214
50500 Utilities	7,032	-	-	7,032
50603 Insurance costs	10,049	-	-	10,049
Miscellaneous:				
50902 Travel and meetings	440	-	-	440
55008 Depreciation	<u>60,344</u>	<u>-</u>	<u>-</u>	<u>60,344</u>
TOTAL OPERATING EXPENSES	<u>\$560,768</u>	<u>\$ 23,538</u>	<u>\$ 63,875</u>	<u>648,181</u>
LESS INELIGIBLE EXPENSES:				
55007 Depreciation				60,344
55009 MPTA dues				49
57402 RTAP				346
58005 Millage ads				<u>197</u>
TOTAL STATE INELIGIBLE EXPENSES				<u>60,936</u>
NET STATE ELIGIBLE EXPENSES				<u>\$ 587,245</u>
STATE OPERATING ASSISTANCE REIMBURSEMENT 36.1508%				<u>\$ 212,294</u>
NET STATE ELIGIBLE EXPENSES				\$ 587,245
Less audit cost				<u>2,200</u>
NET FEDERAL ELIGIBLE EXPENSES				<u>\$ 585,045</u>
SECTION 5311 CONTRACT PERCENTAGE 16.0%				<u>\$ 93,607</u>
MAXIMUM SECTION 5311 REIMBURSEMENT				<u>\$ 73,600</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF STATE AND FEDERAL CAPITAL ASSETS CONTRIBUTED

For the year ended September 30, 2008

Balance, beginning of year	<u>\$435,716</u>
Add:	
Capital contract 02-0085Z8	46,315
Capital contract 02-0085Z13	23,813
Capital contract 02-0085Z14	107,687
Capital contract 02-0288Z2	<u>23,417</u>
	<u>201,232</u>
Deduct: Depreciation of assets purchased from contributed equity	<u>(58,926)</u>
BALANCE, END OF YEAR	<u>\$578,022</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF CAPITAL CONTRACTS

For the year ended September 30, 2008

GRANTOR: Michigan Department of Transportation

<u>Contract Number</u>	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Currently Earned</u>	<u>Amount Remaining</u>
02-0085Z8 FY04 Section 5309 Earmark	\$ 48,500	\$ -	\$ 46,315	\$ 2,185
02-0085Z13 FY06 Section 5311 Capital	62,500	-	23,813	38,687
02-0085Z14 FY06 Section 5309 Earmark	121,745	-	107,687	14,058
07-0288Z2 FY07 Section 5311 Capital	24,000	-	23,417	583
07-0288Z4 FY08 Section 5311 Capital	24,000	-	-	24,000
07-0288Z5 FY08 Section 5309 Earmark	<u>184,240</u>	<u>-</u>	<u>-</u>	<u>184,240</u>
	<u>\$ 464,985</u>	<u>\$ -</u>	<u>\$ 201,232</u>	<u>\$ 263,753</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF MILEAGE DATA, VEHICLE HOURS, AND PASSENGERS

For the year ended September 30, 2008

	<u>Public Transpor- tation Mileage</u>	<u>Vehicle Hours</u>	<u>Passengers</u>			<u>Elderly Persons With Dis- abilities</u>
			<u>Regular</u>	<u>Elderly</u>	<u>Disabled</u>	
DEMAND RESPONSE:						
First Quarter	43,900	1,754	2,734	1,314	3,215	386
Second Quarter	44,280	1,772	2,930	1,463	3,190	222
Third Quarter	48,283	1,936	2,953	1,480	3,441	412
Fourth Quarter	<u>48,044</u>	<u>1,919</u>	<u>2,114</u>	<u>1,557</u>	<u>3,521</u>	<u>526</u>
	<u>184,507</u>	<u>7,381</u>	<u>10,731</u>	<u>5,814</u>	<u>13,367</u>	<u>1,546</u>

See accompanying notes to financial statements.

FINANCIAL ASSISTANCE - FEDERAL AND STATE



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Kevin C. Pascoe, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON AN COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors of the
Schoolcraft County Public Transit System
Manistique, Michigan 49854

We have audited the financial statements of the Schoolcraft County Public Transit System, as of and for the year ended September 30, 2008, and have issued our report thereon dated December 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Transit's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies

described below to be significant deficiencies in internal control over financial reporting.

The Transit does not internally produce financial statements in accordance with generally accepted accounting principles.

Material audit adjustments were necessary to properly accrue receivables and revenues and to record depreciation expense.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that both of the significant deficiencies described above are material weaknesses.

The Transit's response to the findings identified above are described below. We did not audit the Transit's response and, accordingly, we express no opinion on it.

At the present time the Transit does not have adequate funding to hire the staff or to purchase the services necessary to adequately address these findings.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Transit in a separate letter dated December 4, 2008.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

December 4, 2008

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SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF AWARDS - FEDERAL AND STATE

For the year ended September 30, 2008

<u>Federal Grantor/Program Title</u>	<u>State Grantor Number</u>	<u>CFDA Number</u>	<u>Award Amount</u>
U.S. DEPARTMENT OF TREASURY:			
Passed through MDOT			
Section 5311			
Operating assistance - FY08	2007-0288Z3	20.509	\$ 73,600
Capital assistance	02-0085Z8	20.500	48,500
Capital assistance	02-0085Z13	20.509	62,500
Capital assistance	02-0085Z14	20.500	121,745
Capital assistance	07-0288Z2	20.509	24,000
 MICHIGAN DEPARTMENT OF TRANSPORTATION:			
Operating assistance - Act 51 - FY08	-	-	212,294
Operating assistance - Act 51 - FY05	-	-	<u>25</u>
TOTAL CAPITAL AND OPERATING ASSISTANCE			<u>\$ 542,664</u>

<u>Unexpended Balance 09/30/07</u>	<u>Federal Revenue</u>	<u>State Revenue</u>	<u>Other Revenue</u>	<u>Expendi- tures</u>	<u>Unexpended Balance 09/30/08</u>
\$ -	\$ 73,600	\$ -	\$ -	\$ 73,600	\$ -
-	37,052	9,263	-	46,315	-
-	19,050	4,763	-	23,813	-
-	86,150	21,537	-	107,687	-
-	23,417	-	-	23,417	-
-	-	212,294	-	212,294	-
-	-	25	-	25	-
<u>\$ -</u>	<u>\$ 239,269</u>	<u>\$ 247,882</u>	<u>\$ -</u>	<u>\$ 487,151</u>	<u>\$ -</u>

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

SCHEDULE OF INELIGIBLE COSTS

For the year ended September 30, 2008

<u>Ineligible Costs</u>	<u>Section 5311</u>	<u>Act 51</u>
1. <u>Depreciation</u> - Depreciation accrued by public operators on state-funded equipment is ineligible according to state guidelines.	\$ 60,344	\$ 60,344
2. <u>MPTA Dues</u> - A percentage of the MPTA dues are ineligible expenses per the State Expense Manual. This years ineligible percentage was 6.99 percent.	49	49
3. <u>Audit Cost</u> - Because the Transit did not need a single audit in compliance with OMB Circular A-133 the audit cost is an ineligible expense for the Section 5311 reimbursement.	2,200	-
4. <u>RTAP Reimbursement</u> - Any expense that was reimbursed by another revenue source is ineligible for operating assistance.	346	346
3. <u>Millage Ads</u> - Any advertisement that is run that is influential in nature is an ineligible expense.	197	197



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA

REPORT TO MANAGEMENT

To the Board of Directors
Schoolcraft County Public Transit System
Manistique, Michigan 49854

We have audited the financial statements of the Schoolcraft County Public Transit System (the Transit) for the year ended September 30, 2008, and have issued our report thereon dated December 4, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated December 3, 2008, our responsibility, as described by professional standards, is to express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Transit. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Transit's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

(Other Information in Documents Containing Audited Financial Statements)

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated December 3, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Transit are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of fixed assets is based on the state audit guide. We evaluated the key factors and assumptions used to develop the useful lives of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The misstatements detected as a result of audit procedures and corrected by management were material, and were to properly accrue receivables, revenue and depreciation expense.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Transit's Board of Directors, the management of the Transit, federal and state pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

December 4, 2008

SCHOOLCRAFT COUNTY PUBLIC TRANSIT SYSTEM

COMMENTS AND RECOMMENDATIONS

September 30, 2008

FAREBOX COLLECTIONS

We noted during our audit that lockboxes are not used on the buses and that the drivers maintain their own log sheets. This creates a risk of unrecorded fares. We recommend that the drivers begin using the lockboxes to further enhance the internal controls over farebox collections.

CONTRACT BILLINGS

We noted during our audit that the billings to Hiawatha Behavioral Health and the Manistique High School were not always timely. We recommend that these billings be done on a timely basis each month.

BOARD MINUTES

During our audit we noted that not all minutes contained bill approval. There were also several months' bills that were never approved by the board. We recommend that each month's minutes contain approval of the bills to be paid.